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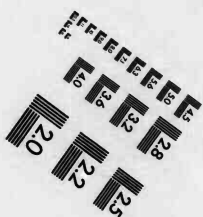
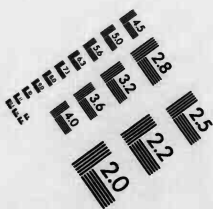
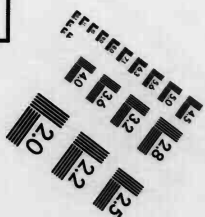
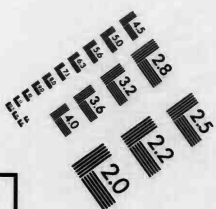
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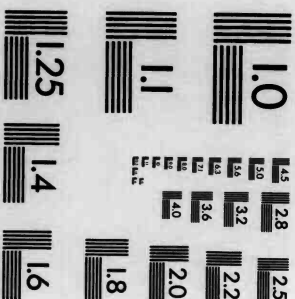
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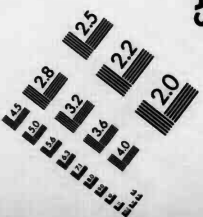
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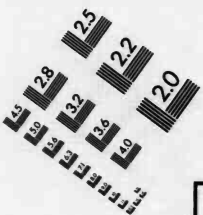
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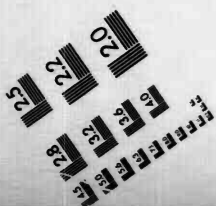
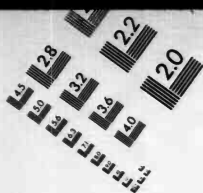
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Cotton prices: report.....

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COTTON PRICES

REPORT

OF THE

SUBCOMMITTEE OF THE COMMITTEE ON
AGRICULTURE AND FORESTRY

PURSUANT TO

S. RES. 142

A RESOLUTION TO INVESTIGATE THE RECENT DECLINE
IN COTTON PRICES



PRINTED FOR THE USE OF THE COMMITTEE ON AGRICULTURE AND FORESTRY

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COTTON PRICES

REPORT
OF THE
SUBCOMMITTEE OF THE COMMITTEE ON
AGRICULTURE AND FORESTRY
U. S. SENATE
A RESOLUTION TO INVESTIGATE THE RECENT DECLINE
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WASHINGTON

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MAY 22 1953

COTTON PRICES

The subcommittee appointed by the Senate to investigate the slump in the price of cotton for 1927, under Senate Resolution 142, beg leave to submit the following:

The subcommittee examined the principal interests dealing with cotton to ascertain if possible the main factors that led to the disastrous decline in cotton of 1927. It examined the practices of the cotton future markets, the manufacturing interests, as well as certain bureaus of the Government which dealt with this subject. Certain practices of the markets were found to affect the market artificially and under certain conditions would and did obstruct the operation of the normal marketing of cotton. These practices are set forth more particularly in this report. We found that the cotton manufacturing industries could and did affect the marketing of cotton by statements that they intended to curtail consumption and the widespread publication of this fact. We found that certain bureaus of the Government could and did affect the market and seriously obstruct and derange the normal operation of the purchase and sale of cotton.

FUTURES MARKET

After exhaustive testimony in reference to the marketing system, it was developed that certain practices were indulged in, which should be prohibited by law. Among them was the practice of tendering and retendering cotton on the New York market in a given month for the obvious purpose of artificially influencing the price of cotton. The practice was indulged in by operators tendering the cotton, buying back their own contracts and retendering the same cotton within a given delivery month, thereby artificially influencing the market.

It was also developed in reference to the New York market that operators, having bought contracts on this market, would take advantage of the absence of certificated cotton at the port and artificially influence the market for a given month by virtue of the absence of certificated cotton for delivery.

It was developed that the amount of hedges and contracts dealt in by particular individuals or firms were of such volume for certain months in different markets as unduly and artificially to affect prices. These evils were made more easily dealt in by virtue of the uneconomic position of New York as a place of delivery of cotton on contract. Its distance from the source of supply and from the major points of consumption makes it necessary for the contract to reflect this fact. Each contract, if it is to be based on equity, must carry a price on that market that includes the carrying charges necessary for delivery. Hence, under present conditions, it renders manipulation comparatively easy and very obstructive to the normal operation of the law of supply and demand.

It was also developed that a practice known as "straddles" was indulged in. This practice is buying in one market contracts and selling in another market contracts in such volume as artificially to affect the parity between these markets. Also, selling one month and buying another month in the same market, thereby disturbing and throwing out of parity the normal relation of these months. This practice necessarily resulted in an obstruction to the normal response of the market to the law of supply and demand.

RECLASSIFICATION OF CERTIFICATED STOCK IN NEW YORK

In the investigation by the committee of the certificated stock of cotton in New York, they found that there was, out of 172,002 samples representing the same number of bales, 6,761 samples which were of such doubtful character as to cause them to be looked upon by the classers employed by the committee as untenderable and as being shy of the requirements of the law. The committee requested six spot cotton exchanges each to furnish them two of their most expert classers. These classers were of the opinion that the seven-eighths-inch staple furnished them by the Department of Agriculture as being the standard was shy of what the trade ordinarily took as seven-eighths inch. The committee will take this matter up with the Department of Agriculture to ascertain more definitely the facts in reference thereto. The views of these classers as expressed in their interview with Senator Smith on May 12, 1928, are attached hereto and made a part hereof as Appendix A.

CARRY-OVER

The committee very thoroughly investigated the matter of the carry-over. That is, the cotton that was on hand August 1, 1927, brought over from the previous crop or crops. The Bureau of Agricultural Economics of the Department of Agriculture had issued a statement to the effect that the carry-over was 7,800,000 bales.

Congress has charged the Department of Commerce, through the Bureau of the Census, with the duty of collecting the statistics on cotton and giving them out from time to time. Up to the 15th of September, 1927, at which time the Bureau of Agricultural Economics had published these figures, the Bureau of the Census had given out no statement as to the world's carry-over of American cotton. The Bureau of the Census had issued a statement as to the carry-over of American cotton in America but had issued no statement up to that time as to the amount of American cotton carried over in Europe and the Orient. Secretary Hester, of the New Orleans Cotton Exchange, a recognized world authority on cotton statistics, challenged the statement of the Bureau of Agricultural Economics as being 800,000 bales in excess of the facts. The committee requested Secretary Hester to file a report or to send a representative to appear before the committee and testify regarding this fact, which was done. It developed that the Bureau of Economics had used the figures gotten out by the Manchester Federation of Spinners. This organization is connected with and interested in the cotton business. It is a private source of information. The Bureau of Agricultural Economics should not have taken these figures from such a source and used them

in such a manner as to give them the character of an official statement of our Government. They should, in the opinion of the committee, at least have stated in their official publication whence they had obtained their information.

The committee called in Mr. H. J. Zimmerman, the chief statistician of the Bureau of the Census, whose duty it was to compile and give to the public the facts as to the supply and distribution of American cotton. On his examination he stated that there were unquestionably something over 200,000 bales less in the carry over than the figures given out by the Bureau of Agricultural Economics. From sources which Mr. Zimmerman considered as not entirely satisfactory the committee is of the opinion that a difference of 600,000 bales would have been reasonably considered as the difference. That is, that, according to the Bureau of the Census, the bureau that is charged with gathering these facts, the carry over is certainly 200,000 bales less than stated by the Bureau of Agricultural Economics, and that in reference to 400,000 bales additional the committee is of the opinion from information submitted that there is probably in the European stock 600,000 bales less than was estimated by the Bureau of Agricultural Economics. As to the Bureau of Agricultural Economics using the figures it did, this committee is of the opinion that it should not use figures which are calculated to affect the market unless the figures they do use are taken from the official sources authorized by law; that they should not use private sources of information in any event, and should they use them, they should state clearly the sources from which their information is derived.

The Bureau of the Census is greatly handicapped in gathering the facts as to the supply of cotton in foreign countries. Mr. Zimmerman, acting for the Bureau of the Census, has stated that he will recommend such legislation as will give the bureau as near as possible the facilities for gathering these important statistics in foreign countries and making them accurate and efficient.

The publication by the Bureau of Agricultural Economics of these figures on the 15th of September, 1927, had a particularly disastrous influence in bringing about the decline in the cotton market. The crop reporting board of the Department of Agriculture had just issued an estimate of the probable production of 1927, amounting to, in round numbers, about 12,700,000 bales, indicating a reduction of 800,000 bales from their August estimate. It will be seen, therefore, that if the estimated carry-over given by the Bureau of Agricultural Economics was 800,000 bales too much, it exactly canceled the 800,000 bales less in the production indicated by the crop-reporting board. In addition to this and in the same bulletin, in fact, in the same article in reference to cotton issued by the Bureau of Agricultural Economics on September 15, they made the prediction that the price of cotton was likely to decline. We reproduce here the exact language of the bulletin:

PRICE PREDICTION

Crop conditions in the United States on September 1 indicate a production of only 12,692,000 bales, a decline of 800,000 bales during August. Declines occurred in all States except New Mexico, Arizona, and California, the principal decline being registered in Oklahoma. In all important cotton States the weevil is the dominating factor in the situation. Propagation of this pest has been accelerated by wet weather over much of the belt. Infestation increased materially in all infested areas, and the area where weevils were prevalent extended

northward materially during the month of August. The extent of infestation has quite generally checked fruiting and the probability of any important top crop is small over large areas.

As the size of the crop is becoming more definitely established, the market should become more stable and the tone in the yarn and finished goods market should be more settled. Due to the fact that the prospects of a top crop are very small, cotton will be ginned unusually early this year. As was indicated in last month's report, should the present estimate of production be realized and past relationships between supply and price prevail, it is likely that prices will decline in the next few months.

Anyone familiar with the cotton business, reading the facts set forth in the bulletin, aside from the bureau's estimate as to the carry-over, or even in spite of it, would have reached the conclusion that cotton would advance materially from where it then was. The fact is, the trade had already reached this conclusion. Cotton had steadily advanced from the very early spring up to the issuance of this prediction. It is true that there was from time to time certain fluctuations, but the general trend was upward. From February, when the price of cotton was 16 cents per pound, it gradually but steadily rose until some time just previous to this report it touched 25 cents per pound, a rise in value of about \$40 per bale. From the issuance of this report it steadily declined until it had again reached less than 17 cents per pound, a loss of approximately \$40 per bale, an estimated loss of three hundred to four hundred million dollars to the producers of cotton. This prediction, and that made in August of similar character, was made at a time when it could not possibly be other than hurtful to the producers of cotton for the reason that the crop was made, the marketing season was on, the price was fairly remunerative and advancing, and, therefore, the only effect it could have would be to depress the market. Such a statement coming when it did and from a Government source, made it easy for those who could profit by breaking the market to take advantage of this unwarranted statement and break it, which they did. It discouraged all friends of cotton who had a right to believe in higher prices. Those friendly to cotton in the market quit. They felt and so said and acted, that they could not fight the "bears" under such circumstances.

The testimony of all witnesses before the committee, engaged in the cotton business was practically unanimous that this statement by the Bureau of Agricultural Economics was mainly responsible for the breaking of the market at the time and made it extremely easy for those who were organized and ready to profit by this break to take advantage of the situation and depress the market to the disastrous low level that it reached.

Your subcommittee does not charge any sinister motive prompting the issuance of the bulletin referred to, but they believe that in dealing with vital affairs of the marketing of any of our staple crops by Government officials such officials should have the widest possible personal experience with such crops, as to its production, preparation for market, and marketing.

SUMMARY

In summing up the situation, the price decline predicted by the Bureau of Agricultural Economics, together with its statement as to the carry-over, necessarily broke the market. It not only at the

most inopportune time predicted a price decline but issued a carry-over estimate that was at least from five to six hundred thousand bales too much. Coming as it did from the Government, it naturally discouraged all those who were friendly to cotton in the market. As stated heretofore, cotton had steadily risen in price from February, 1927, up to the time that the price decline was predicted and the carry-over stated. Immediately subsequent to the issuance of these statements by the Bureau of Agricultural Economics there was published in the newspapers throughout the country a statement to the effect that the manufacturers of cotton intended to curtail consumption and inaugurate short-time operation. As a direct result, the powerful "bear" influences took advantage of the situation and aided in riding the market to ruin.

A bill has been drafted and is now on the Senate Calendar which, it is hoped, will reach and prohibit the practices on the futures markets set forth in this report.

A bill has already passed the Senate prohibiting and penalizing any official of the Government from issuing any further price prediction of cotton.

There will be introduced a bill restricting to one bureau all statistics relating to the supply and distribution of cotton.

Your committee will continue its organization, and if further facts are brought to its attention during adjournment and the second session of the Seventieth Congress it will report the same to the Senate.

Respectfully submitted.

E. D. SMITH, *Chairman*.
J. THOS. HEFLIN.
JOS. E. RANDELL.

APPENDIX A

MINUTES OF A CONFERENCE BETWEEN SENATOR ELLISON D. SMITH, CHAIRMAN OF SUBCOMMITTEE OF THE SENATE OF THE UNITED STATES, AND REPRESENTATIVES OF VARIOUS COTTON EXCHANGES, HELD IN THE BOARD ROOM OF THE NEW YORK COTTON EXCHANGE, MAY 12, 1928, AT 11 A. M.

Present: Senator Ellison D. Smith, chairman of subcommittee; T. Ralph Jones, Norfolk, Va., representative of the Senate subcommittee investigating cotton; Mr. Charles E. Jackson, representative of the subcommittee and clerk to the committee; Mr. W. D. Shepherd, Dallas Cotton Exchange, Dallas, Tex.; Mr. Lee Skaggs, Dallas Cotton Exchange, Dallas, Tex.; Mr. George Morrow, Memphis Cotton Exchange, Memphis, Tenn.; Mr. F. M. Jones, Norfolk Cotton Exchange, Norfolk, Va.; Mr. L. T. Kavanaugh, Memphis Cotton Exchange, Memphis, Tenn.; Mr. James L. Black, Norfolk Cotton Exchange, Norfolk, Va.; Mr. H. Smitton, Galveston Cotton Exchange, Galveston, Tex.; Mr. W. G. Logan, Savannah Cotton Exchange, Savannah, Ga.; Mr. M. E. Noble, Galveston Cotton Exchange, Galveston, Tex.; Mr. F. C. Witherspoon, Houston Cotton Exchange, Houston, Tex.; Mr. W. J. Kenney, jr., Savannah Cotton Exchange, Savannah, Ga. (not present).

Senator SMITH. Now, gentlemen, I want to get the names of all of you and what cotton market you represent and your home address.

The gentlemen present then gave their names and addresses as above stated.

Senator SMITH. Now, have I got the entire list of the classes?

Mr. JONES. Yes.

Mr. BLACK. Mr. Kenney, from Savannah, Ga., is not here.

Mr. JONES. Mr. Kenney, from Savannah, Ga., went home sick about two weeks ago.

Senator SMITH. Well, he participated, did he not?

Mr. JONES. Yes. His name is W. J. Kenney, jr., Savannah Cotton Exchange, Savannah, Ga.

Senator SMITH. Now, you understand, gentlemen, that from various sources complaint was made that possibly the cotton certified as in stock in New York was not up to Government standards both as to grade or staple or shy on one or the other. I use that expression because certain cotton may be of the proper grade but not of the right staple, and some may be of the right staple and not of the right grade. So, therefore, it was your duty, and you understood it to be your duty, to take cognizance of both, for the law requires it not to be below low middling in grade and seven-eighths inch in staple or cotton of like value. That is about the wording of the law. Now, you gentlemen were asked by the subcommittee to perform this work. We had started originally to have all the samples representing the classified cotton sent to Washington—

Mr. JONES. One minute, Senator. May I interrupt you?

Senator SMITH. Yes.

Mr. JONES. You started originally to get, sir, the samples of 20 bales of each grade in the live stock and also 20 samples of each grade of the samples of the cotton that had been shipped out since March 18.

Senator SMITH. That was only tentatively agreed upon but—

Mr. JONES. But I have the instructions signed by you, sir.

Senator SMITH. I know; but we changed that then to shipping them to Washington.

Mr. JONES. Yes; I know it.

Senator SMITH. And upon the suggestion of Mr. Jones, who had been suggested to the subcommittee by Mr. Rankin, who was not a member of the subcommittee but was asked by the subcommittee, or the courtesy was extended him and Mr. Vinson to sit in during the meeting of the subcommittee—Mr. Jones suggested and it was a very good solution of the whole business, that in place of drawing samples, a certain per cent, which was the original idea as he indicated there, from the cotton itself, original samples, a certain number of bales which might be fairly representative of the different grades and staple of cotton be taken. That was abandoned and then we concluded that we would have all the samples from the department representing the classified cotton shipped to Washington. Then upon the suggestion of Mr. Jones, who was here on the ground and appreciated the enormity of the work—

Mr. JONES. That was also at the suggestion of the Department of Agriculture, Mr. Parker, too.

Senator SMITH. Well, I was not aware of that. I only got the communication from you.

Mr. JONES. I told you that over the telephone, but you probably forgot it.

Senator SMITH. The subcommittee then agreed that they would have the samples representing the certificated cotton reclassified by you.

Mr. JONES. And the cotton that had been shipped out since March 16.

Senator SMITH. Well, my understanding was that all the cotton that—

Mr. JONES. That was in stock on March 16. That will simplify it, Senator.

Senator SMITH. All the cotton that was here under dispute, namely, the certificated stock, which was from March 16 down to date.

Mr. JONES. Yes.

Senator SMITH. Now, you have finished your work. The only duty you had to perform was, according to your best judgment, to state whether or not this cotton both as to grade and staple was tenderable under the Government classification. You have completed your work. Each one of you from day to day has made a report to the two men representing the subcommittee. They have in turn transmitted that report to me as chairman, and I have in turn reported it to the subcommittee of which I am chairman.

The object of it all was to arrive as near as might be, by impartial parties, as to what were the actual facts; these facts to be obtained by as near impartial men qualified to pass upon it as might be.

Now, we all appreciate the difficulties of determining accurately the grade and staple, particularly when it gets on the border line. Now, you gentlemen have completed your work. I would like for each one of you here for the record—now, understand this: There is no one that is authorized or qualified amongst you to make any statement that is official. Of course, you are American citizens and the press is open and free and so is your speech. Now, you have done this work. I have every reason to believe that you have done it faithfully and have done it conscientiously. And for the sake of the record I would like to have a statement from each one of you to the effect that the work that you have done has been with regard to ascertaining the facts, and if there has occurred to you or come under your observation in classing this cotton any matter that would be of public interest in reference to the cotton itself, any statement that you think might aid the committee or the Government in any particular, I want you to state it. Because this is the final meeting. I want you all to-day to understand that your duty or the purpose for which you have been brought here has been accomplished. Have you anything to say?

Mr. JONES. One minute, Senator. May I have a few words, sir?

Senator SMITH. Yes.

Mr. JONES. I wish to state that just before we started the reclassing of the New York stock that the original instructions stipulated that any disputes would be settled by Mr. Charles M. Galloway, who was then representing the Senate subcommittee, Mr. T. Ralph Jones, and Mr. Tenney or his representative. I informed Senator Smith that I did not think this was possible and workable, and that I wished all disputes to be settled by a majority vote of the men sent here from the six spot exchanges, to which Senator Smith agreed.

I also wish to state that before I was originally appointed to represent the subcommittee my appointment was held up for several days, and that Senator Smith informed me that someone representing the people who had been accused in regard to this investigation into the cotton business had objected to my appointment; that they stated they had affidavits to show—

Senator SMITH. No.

Mr. JONES. Yes.

Senator SMITH. No, I did not make any such statement about affidavits to show.

Mr. JONES. Well, they stated then that I had been antagonistic to their firm.

Senator SMITH. Well.

Mr. JONES. This I told Senator Smith in the presence of his secretary, Mr. Jackson, was absolutely correct, and that if he did not want me to serve in this capacity that I wished he would please tell me so, that I did not seek the job. And my appointment was held up for several days.

Senator SMITH. Have you any statement to make?

Mr. SHEPHERD. Senator Smith, I have nothing to report only to say this: I was instructed by Mr. Gryce, president of the Dallas Exchange, to come here and represent it as one of the classers to reclassify the stock in New York. Upon arrival here Mr. Skaggs and

myself, representing the Dallas Exchange, reported to room 1501 and met Mr. Galloway, Mr. Jones, and Mr. Parker. We talked the matter over and we received our instructions, which were written, from Mr. Jones, who I believe handed me the instructions, and Mr. Skaggs and I, with some of the other men who had arrived about that time, read those instructions. We were instructed that this cotton was going to be classified as per grade or for tenderable or untenderable quality, and it was to be classed for grade and staple.

Then we proceeded up stairs to the classing room and started to work. There was some little confusion as to the records that were being kept, and then Mr. Skaggs and myself asked Mr. Jones if he was satisfied with the records in the way they were being kept by the men of the department, and he said he was. He also told us, and we asked him if we were supposed to class the cotton according to the American standard, both for grade and staple, which he agreed upon, and that is what we have done.

I will say this, that in classing this cotton there has been a great deal of it that if I were classing cotton in my sample room, there was some of that cotton that I would reject, but what per cent I would not say, for this reason, it was what we call line cotton. Now, the Government standards vary and men's ideas vary on the length of these staples. We have had some staples up there that I thought were seven-eighths long and we have had some staples up there that I thought were short of seven-eighths. You take an American type and open it up, and when it dries out naturally it does not pull as good as when it was fresh. Of course, as far as I know, they were supposed to be Government seven-eighths types, and I have classed this cotton to the best of my ability and honestly and fairly, just what I thought I ought to do. As I say, though, I have passed some cotton for grade and staple that I thought was just barely on the line, probably a little short of the box. But we have given them the benefit of the doubt, and it is cotton, though, that I think will pass on Government standards both for staple and class.

Senator SMITH. Now, do you agree with that?

Mr. SKAGGS. I agree with that.

Senator SMITH. And your name?

Mr. SKAGGS. Lee Skaggs.

Senator SMITH. The next. Do you agree with that statement?

Mr. MORROW. I think that is about right.

Senator SMITH. The next.

Mr. JONES. That is right.

Senator SMITH. The next.

Mr. CAVANAUGH. That is right.

Senator SMITH. You agree with the general statement he has made?

Mr. CAVANAUGH. Yes.

Mr. BLACK. That is correct.

Mr. SMITTON. That is correct.

Mr. LOGAN. Yes.

Mr. NOBLE. Yes.

Mr. WITHERSPOON. Yes.

Senator SMITH. Now, gentlemen, as you understand, the classification of this cotton from day to day has been reported by a repre-

sentative of the subcommittee to the office at Washington, the subcommittee of which I am chairman.

Mr. JACKSON. Had not the reporter better put in the number of bales classed?

Mr. JONES. May I have just a few more words to say?

Senator SMITH. Just let me finish this sentence, so it will be on the record. As I understand, there has been a total of 172,002 bales classed. I believe that is correct, is it not?

Mr. JACKSON. Yes; that is Mr. Jones's figures.

Mr. JONES. Yes; that is right.

Senator SMITH. And of that there has been found of doubtful and untenderable cotton, 6,761 bales.

Mr. JONES. Not doubtful, Senator. All these men called it untenderable.

Mr. JACKSON. I think that is correct.

Mr. SKAGGS. Yes.

Senator SMITH. Now I was trying to accommodate my language to the statement he made. We will put as untenderable in this record 6,761 bales.

Now, Mr. Jones, if you have a statement to make you may do so. I want to thank these gentlemen for the manner in which they have stuck to this work. I have great appreciation of the unfavorable conditions under which you did work. I consider that you have rendered the committee and the Government a great service, and I want to take this occasion to thank you all for it. I will thank you in the capacity of chairman of the subcommittee and thank you in my individual and personal capacity.

Mr. JONES. With reference to the letter that I wrote you in regard to the present seven-eighths-inch Government standard, I stated that the entire committee had stated in my presence and in the presence of each other that they considered that standard shy. Now, I will ask you to ask all these gentlemen if they did not say so.

Senator SMITH. Was it your opinion that seven-eighths-inch box was shy? The seven-eighths inch, of course, is furnished you by the Government as representing their yardstick. Did you consider that seven-eighths inch or not?

Mr. SHEPHERD. Well, Senator, as I stated in my statement in the beginning, some of the types I considered were not seven-eighths and some I considered were.

Senator SMITH. That is, the staple under the different grades that they call seven-eighths?

Mr. SHEPHERD. Yes, sir.

Mr. JONES. Also, Senator, some of them said they only called it three-fourths of an inch. I will ask you to ask those who said that. Here is an affidavit from Mr. Kenney who has gone. Please put that in.

(The communication from Mr. Kenney is as follows:)

MAY 4, 1928.

Mr. T. RALPH JONES,
Care of Pennsylvania Hotel, New York City.

MY DEAR MR. JONES: I do not think that the Government seven-eighths type is trade seven-eighths; in my opinion it is nothing but three-fourths cotton.

Yours very truly,

W. J. KENNEY, Jr.

Senator SMITH. Now, this part of it is a matter that does not pertain to the trade, but the responsibility rests upon the Government who fixes the standard and sends it out.

Mr. JONES. That is just what I am trying to get at.

Senator SMITH. Therefore I want to as near as may be your opinions so that I may be able to take that up with the Government in preparing and sending out their standard. Now let me ask you, for instance, in low middling seven-eighths, strict low seven-eighths, middling seven-eighths, strict middling seven-eighths, good middling seven-eighths, strict good middling seven-eighths, did the seven-eighths vary under these grades?

Mr. WITHERSPOON. They do not make seven-eighths for each grade.

Senator SMITH. They just give you a seven-eighths type, and that is the standard for all grades?

Mr. WITHERSPOON. Yes.

Senator SMITH. I get you.

Mr. SHEPHERD. And it is put up for length only.

Senator SMITH. For length only without regard to the grade at all?

Mr. WITHERSPOON. That is right.

Mr. SHEPHERD. And character of the staple.

Senator SMITH. And what was your opinion as to the standard they did set up, that it was shy?

Mr. LOGAN. Shy?

Mr. SHEPHERD. As I stated in the beginning, some were, but some I thought were all right.

Senator SMITH. But I am speaking about the standard that the Government furnished. They would only furnish you one.

Mr. SHEPHERD. No; they would have an armful of them up there and would put one on every table.

Senator SMITH. Oh, I understand now.

Mr. SHEPHERD. Maybe the bundle on this table would pull better than the ones on this table, according to our idea.

Senator SMITH. What was the average of those that they put on the table?

(Many cries of "Shy.")

Mr. SHEPHERD. I would say they were shy.

Senator SMITH. What do you say, Mr. Skaggs?

Mr. SKAGGS. They varied.

Senator SMITH. Next.

Mr. MORROW. I would say they were shy.

Senator SMITH. Next.

Mr. JONES. Shy.

Mr. CAVANAUGH. Shy.

Mr. BLACK. Shy.

Mr. SMITTON. Shy.

Mr. LOGAN. I would say they varied.

Mr. NOBLE. Shy.

Mr. WITHERSPOON. My opinion is it is the Government standard of seven-eighths the same as we have in Houston. It may be shy of what the trade demands.

Senator SMITH. The point I am getting at is this: I am not questioning where it is used or how it is used, but I want to find if the

Government has been very careful in getting a real seven-eighths-inch standard.

Mr. NOBLE. Pardon me for interrupting, but there are conditions that exist on staple types that might make it pull shy at one time and pull well at another time.

Senator SMITH. I am thoroughly aware of the fact if you let cotton get dry it will do that.

Mr. NOBLE. I would not want to commit myself to say this was shy, because if you get the proper moisture and it came out of that bale, in which the cotton man pulled that cotton, it might have pulled well for seven-eighths type. But at the same time you lay a staple in a steam-heated building and it is going to make your staple pull shorter.

Mr. WITHERSPOON. May I say just a word, Senator?

Senator SMITH. Yes.

Mr. WITHERSPOON. It was not my impression that we were sent up here to question the accuracy of the Government's seven-eighths standard but we are supposed to compare this cotton for staple with the standard that had been set up and against which this cotton was certificated.

Senator SMITH. Certainly. That is exactly your duty. But I was just trying in order to protect the trade as far as I could and the producer to see whether they were meticulous and very careful in getting seven-eighths.

Mr. WITHERSPOON. I will say this, that I think they were very careful in doing it, because they had a good many members of the trade in Washington or New York—I think it was done in Washington—where the standard was selected. They had some men from Houston, I know, representing the Houston Cotton Exchange, to help select the seven-eighths standard. Whether the seven-eighths standard as selected is quite seven-eighths, that is a difference of opinion. I think probably it is a little shy of it. The trade usually considers seven-eighths cotton, but we were supposed to compare the staple of this stock with the Government standard as established. We had nothing to do with the establishment of the standard. We were only to take the cotton in connection with the standard.

Senator SMITH. I understand. If the Government puts out a yardstick which is shy of 36 inches your duty was to take the Government yardstick and measure it.

Mr. WITHERSPOON. Exactly.

Senator SMITH. But if in actual business, if you had been in the business of making yardsticks scientifically, you could tell me whether or not you thought the one that was made by the Government was just exactly what, according to the sun dial's unerring statement as to what constitutes an inch, was.

Mr. WITHERSPOON. In my opinion, if that is what you want, it is that that seven-eighths standard is a little bit shy of what the trade requires when they buy and sell seven-eighths, but then that is the standard that is established.

Senator SMITH. I understand. Now, we will in our report state that your findings were thus and so, in accordance with Government standard furnished you.

Mr. WITHERSPOON. That is right.

(Cries of "That is right" from various members of the committee.)
Senator SMITH. Then I shall take occasion—and I think I shall call their attention to it—to say that the majority opinion was that perhaps it was a little shy.

Mr. BLACK. That is the staple.

Mr. LOGAN. That standard is the same as we have in Savannah.

Senator SMITH. Well, all of you that classify your cotton and certificate it must have as near as possible a uniform standard.

Mr. JONES. Do you mean the standard you have in Savannah is not the same as you have been working on here?

Mr. LOGAN. It is the same. That is what I said; that it was the same.

Senator SMITH. Now, gentlemen, I have got to go.

Mr. JONES. There is one more thing I want to get cleared up. It has been intimated over in Washington, and I have heard it the last time I was over there, that possibly I have endeavored to influence some of these gentlemen who are here representing these exchanges—

Senator SMITH. Oh, well, Jones, if I were you I would not reflect on honest men that way.

Mr. JONES. I know; but it has been intimated and I want every one of them to tell you if there is a word of truth in it.

Senator SMITH. I would not have had the men here if I had thought that.

Mr. JONES. But I want to get myself straight before that Senate committee and I want each one of them to tell you.

Mr. SKAGGS. I would like to say that there has been no influence from either side, from Mr. Jones or the department, used that I know anything about.

Mr. LOGAN. I second that opinion.

Mr. WITHERSPOON. I think that is the unanimous opinion of the committee. I do not think any member of the committee would say there had been any influence or undue influence exercised. We think the work has been done under very fair conditions, and we did it just as we saw it.

Senator SMITH. I want to state in this connection that I think you will all agree with me that the sooner we can get rid of, as some fellow has very facetiously and splendidly put it, get rid of our sense of rumor, not humor—some fellow said that Washington had developed extraordinarily a sense of rumor—but when you come to discharge a tremendous responsibility under the Government affecting so many people, I am glad that I am facing a body of good, upstanding Americans. Gentlemen, I thank you.

Mr. JACKSON. There is no use to call the department representative?

Senator SMITH. Not a particle. There is nothing here that they can not hear.

Mr. SKAGGS. When will we sign this?

Mr. JONES. I would like to get this written up as soon as possible so all these gentlemen can sign it.

Senator SMITH. Well, just have it typewritten and just say the above occurred in my presence and I concur therein.

Mr. NOBLE. Would it be possible for us to have a copy of it?

Senator SMITH. You are welcome, everyone of you, to have a copy.

Mr. NOBLE. I would like to have a copy to take back to my exchange.

Senator SMITH. Fine idea.

Mr. BLACK. We have to make a report to them, so that would be a good report.

Senator SMITH. Just state for the record that Mr. Charles M. Galloway and T. Ralph Jones were the original representatives of the subcommittee and subsequently Mr. Galloway was recalled and Mr. Charles E. Jackson was appointed in his place for the remainder of the time to complete the work.

The above occurred in our presence and we concur therein:

W. D. SHEPHERD.

JAS. L. BLACK.

LEE SKAGGS.

H. SMITTON.

GEO. MORROW.

W. G. LOGAN.

F. M. JONES.

M. E. NOBLE.

L. T. KAVANAUGH.

F. C. WITHERSPOON.

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